

Message Text

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43

ACTION EB-11

INFO OCT-01 AF-10 ARA-16 EUR-25 EA-11 NEA-10 IO-14 ISO-00

AEC-11 AID-20 CEA-02 CIAE-00 CIEP-02 COME-00 DODE-00

FEA-02 FPC-01 H-03 INR-10 INT-08 L-03 NSAE-00 NSC-07

OMB-01 PM-07 RSC-01 SAM-01 SCI-06 SP-03 SS-20 STR-08

TRSE-00 PA-04 PRS-01 USIA-15 DRC-01 /235 W

----- 075919

R 261434Z APR 74

FM AMEMBASSY VIENNA

TO SECSTATE WASHDC 2584

INFO AMEMBASSY ABU DHABI

USINT ALGIERS

USINT BAGHDAD

AMEMBASSY BEIRUT

AMEMBASSY BERN

USMISSION EC BRUSSELS

AMEMBASSY CARACAS

USMISSION GENEVA

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LIBREVILLE

AMEMBASSY LONDON

USMISSION OECD PARIS

AMEMBASSY PORT OF SPAIN

AMEMBASSY QUITO

AMEMBASSY ROME

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

AMEMBASSY TRIPOLI

C O N F I D E N T I A L VIENNA 3738

KUWAIT PASS DOHA

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E.O. 11652: GDS

TAGS: ENRG, OPEC, SZ, AU, EAID

SUBJECT: COMMENTS OF OPEC STAFFER RE PRICES, PRODUCTION CONTROLS AND CONSULTANTS

EMBOFF HAD PRIVATE CONVERSATION WITH SENIOR OPEC STAFFER (SOURCE) EVENING APRIL 24. IN RAMBLING TOUR D'HORIZON OF OPEC, ENERGY SITUATION, AND OIL POLICIES, SOURCE (WHO NOT MEMBER ECONOMICS DEPT.) MADE FOLLOWING POINTS:

A. SOURCE ECHOED IRANIAN FINANCE MINISTER AMUZEGAR'S RECENT PUBLIC PREDICTION BEFORE UN CORRESPONDENTS ASSOCIATION THAT PRICE FREEZE WILL CONTINUE TO OCTOBER. SOURCE COMMENTED THERE ARE NEVERTHELESS VALID ECONOMIC REASONS FOR PRICE INCREASE NOW AND EXPECTS END-OF-MAY MEETING OF ECONOMIC COMMISSION BOARD WILL AGAIN RECOMMEND INCREASE IN POSTED PRICE. SOURCE NOTED THAT REGRET THAT MINISTERS BASE THEIR DECISIONS PRIMARILY ON POLITICAL, RATHER THAN ECONOMIC CONSIDERATIONS.

B. OPEC HAS NOT YET COME TO GRIPS WITH PRODUCTION CONTROLS. TOPIC HAS ONLY BEEN LIGHTLY DISCUSSED. SOURCE FEELS OPEC MEMBERS WILL ONLY BEGIN DISCUSSING PRODUCTION CONTROLS SERIOUSLY IF PRICES FALL AND HE DOES NOT BELIEVE THERE ANY PERSUASIVE EVIDENCE TO SUGGEST PRICES WILL FALL.

C. ECONOMIC COMMISSION BOARD WORKING PARTY BEGINS MEETING APRIL 29 TO CONSIDER WAYS AND MEANS OF SIPHONING OFF OIL COMPANIES' EXCESS PROFITS. SOURCE COMMENTED OPEC WISHES COMPANIES TO RECEIVE FAIR PROFIT, SUGGESTING \$.50/BARREL, BUT WAY MUST BE FOUND TO PREVENT PROFITS OF \$3-4/BARREL. ATTENTION WILL ALSO BE GIVEN TO IMPROVING COMMERCIAL OPPORTUNITIES FOR NATIONAL OIL COMPANIES VIS-A-VIS MAJORS.

D. LONG-TERM OPEC PRICING POLICY IS DEPENDENT ON RESULTS OF STUDIES TO BE MADE BY OUTSIDE CONSULTANTS

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TANTS. OPEC HELD TALKS LAST WEEK AND THIS WEEK WITH APPROVED CONSULTANTS, BUT SOURCE UNAWARE OF ANY FIRM CONTRACTS ALREADY LET. UNIVERSITY OF VIENNA IS OUT OF CONSIDERATION, HE SAID. SEVERAL OPEC STAFFERS FLEW TO PARIS CIRCA APRIL 22 TO EXAMINE AN ENERGY MODEL THERE. SOURCE EXPECTS CONSULTANTS' REPORTS SHOULD BE COMPLETED IN ABOUT SIX MONTHS, WITH POSSIBLE EXCEPTION OF MODEL WHICH MAY TAKE 12-18

MONTHS.HUMES

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